

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Auburn Williams Fire Protection District	County Bay
Fiscal Year End December 31, 2005	Opinion Date March 23, 2006	Date Audit Report Submitted to State June 15, 2006	

We affirm that:

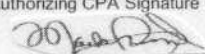
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number 989-835-7721	
Street Address 5915 Eastman Avenue, Suite 100		City Midland	State MI
		Zip 48640	
Authorizing CPA Signature 	Printed Name Mark R. Freed		License Number 1101012221

**AUBURN-WILLIAMS
FIRE PROTECTION DISTRICT
BAY COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**



AUBURN-WILLIAMS FIRE PROTECTION DISTRICT

Board Members

City of Auburn

Clifford Vennix, Chairman
Paul Popa

Williams Township

Fred Berg, Member at Large
David Pfund
John Charney

Municipal Representatives

Jerry Schrott, Township
Jim Zoller, City

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT

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Independent Auditors' Report

To The Honorable Members of
The Administrative Board
Auburn-Williams Fire Protection District
Bay County, Michigan

We have audited the accompanying general purpose financial statements of the Auburn-Williams Fire Protection District, Bay County, Michigan, as of and for the year ended December 31, 2005, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Auburn-Williams Fire Protection District, Bay County, Michigan, at December 31, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Burnside & Lang, P.C.

Midland, Michigan
March 23, 2006

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ending December 31, 2005**

This document is required by GASBS No. 34 and 37 as part of the Auburn-Williams Fire Protection District's (the "District") basic financial statements. The purpose of this document is to provide a narrative overview and discussion of the financial activities of the District for the period covered by the financial statements.

The MD&A is specifically designed to: 1) assist the financial statement reader in focusing on significant financial issues; 2) provide a broad scope overview of the District's financial activities; 3) identify and explain changes in the District's financial position from 2004 to 2005; and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial information in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the District's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Clifford Vennix, Chairman, Auburn-Williams Fire District, 1090 W. Midland Road, Auburn, MI 48611.

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District is a special-purpose government agency engaged in governmental-type activities. The District provides fire fighting, medical and rescue services to residents and visitors to the City of Auburn and Williams Charter Township, Bay County, Michigan.

As a special-purpose government agency, only fund financial statements are presented as the basic financial statements and are comprised of two components: 1) fund financial statements and 2) a series of notes to the financial statements. These provide information about the activities of the District as a whole and present a longer-term view of the District's finances. This report also contains other supplemental information in addition to the basic financial statements themselves.

The District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the District as a whole in a way that helps the reader determine whether the District's financial position changed substantially from the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- District's assets exceed its liabilities by \$795,735
- Net assets decreased by \$19,537
- Revenues decreased \$81,836 to \$197,994
- Operating expenses decreased \$5,751 to \$201,198

Fund Financial Statements

The District's financial resources are reported in a governmental fund. Accounts are grouped into funds to maintain control over money that is for specific purposes, activities or objectives. The District, like other agencies operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements.

Using this Annual Report

The District's annual report consists of financial statements that combine information about its current funds. External auditors provide an opinion that the District's financial statements are fairly stated. An independent auditors' report is located immediately before the MD&A. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the District's Funds

The District's financial statements provide detailed information about the District's funds. The District establishes funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The focus of funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The evaluated statements include the Governmental Fund Balance Sheet/Statement of Net Assets and Statements of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

Statement of Net Assets reports the District's current cash assets with its capital assets, buildings and apparatus for example, and its long term debt obligations to demonstrate whether the District has the wherewithal to meet upcoming financial obligations. One can think of the District's net assets (the difference between assets and liabilities) as one way to measure the District's financial health or financial position. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Major items affecting the Statement of Net Assets was the purchase of the fire apparatus, and the loan of \$65,000 taken out to pay for a portion of its cost.

Statement of Activities reports the District's income and where it came from. It also compares how much money was spent in relation to how much was received.

The Statement of Activities reflect a decrease in revenue due to preceding years receipt of grant revenue. Expenses increased by 5.1% due largely to increases in maintenance expenses for equipment, apparatus, and the building. The combination of a decrease in revenue and an increase in expenses resulted in a decrease in net income of \$92,418 from the prior year.

Economic Factors

The District depends on the City of Auburn and Williams Charter Township for its funding. The 2006 budget has already been approved and no major changes are expected.

Capital funds reflect a long term budget to replace and improve buildings, apparatus and equipment. Funds available are in line with that budget.

Significant economic factors affecting the District include:

- Population growth in the municipalities it serves
- Inflationary pressure on utility rates, supplies and other costs
- Availability of grant income from many sources including FEMA and local foundations

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
December 31, 2005

Exhibit 1

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 42,521	\$ -	\$ 42,521
Prepaid expenses	5,509	-	5,509
Capital assets, net	-	843,307	843,307
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 48,030	843,307	891,337
	<hr/>	<hr/>	<hr/>
LIABILITIES			
Accounts payable	\$ 1,060	-	1,060
Deferred revenue	29,542	-	29,542
Note payable	-	65,000	65,000
	<hr/>	<hr/>	<hr/>
Total Liabilities	30,602	65,000	95,602
	<hr/>	<hr/>	<hr/>
FUND BALANCE/NET ASSETS			
Fund balance			
Reserved - prepaid expenses	5,509	(5,509)	-
Unreserved:			
Designated - equipment purchases	11,919	(11,919)	-
Undesignated	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	17,428	(17,428)	-
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 48,030		
	<hr/>		
Net Assets			
Invested in capital assets		778,307	778,307
Unrestricted		17,428	17,428
		<hr/>	<hr/>
Total Net Assets		\$ 795,735	\$ 795,735
		<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	General Fund		
	Modified Accrual		Statement of
	Basis	Adjustments	Activities
REVENUES			
Municipal income	\$ 187,150	\$ -	\$ 187,150
Interest income	2,176	-	2,176
Proceeds from - sale of asset	5,833	(5,833)	-
Loss on sale of asset	-	(10,500)	(10,500)
Other	2,835	-	2,835
	<hr/>	<hr/>	<hr/>
Total revenues	197,994	(16,333)	181,661
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Insurance	21,579	-	21,579
Bookkeeping	9,060	-	9,060
Audit	2,575	-	2,575
Operating supplies	56,938	-	56,938
Fire/Medical training	4,642	-	4,642
Utilities	15,171	-	15,171
Truck and engine maintenance	5,831	-	5,831
Building maintenance	14,803	-	14,803
Member medical	3,330	-	3,330
Miscellaneous	2,793	-	2,793
Capital outlay	326,304	(326,304)	-
	<hr/>	<hr/>	<hr/>
Total expenditures before depreciation	463,026	(326,304)	136,722
	<hr/>	<hr/>	<hr/>
Depreciation	-	64,476	64,476
	<hr/>	<hr/>	<hr/>
Total expenditures	463,026	(261,828)	201,198
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	(265,032)	245,495	(19,537)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt obligations	65,000	(65,000)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources and uses	65,000	(65,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(200,032)	180,495	(19,537)
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, beginning of year	217,460	597,812	815,272
	<hr/>	<hr/>	<hr/>
Fund balance/Net assets, end of year	\$ 17,428	\$ 778,307	\$ 795,735
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Auburn-Williams Fire Protection District (the "District") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A. Reporting Entity

The District operates under a joint agreement created by the City of Auburn and Williams Township in Bay County, Michigan. The agreement was created in 1980 to form a fire protection district comprising the entire area of these two governmental units. The District is governed by an Administrative Board with each unit of government appointing three members to the Board whose terms shall be from two to six years. Consequently, the District's ability to provide services is dependent upon the continued support of these two units of government.

The District has implemented GASB Statement No. 14, *The Financial Reporting Entity* and *Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment	3-20 years
Vehicles	20 years

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level. During the year, the District operated within its approved budget.

Credit Card Policy

The governing body of the District has not adopted by resolution a credit card policy as prescribed by the State of Michigan.

Compliance with State of Michigan Enabling Legislation

Management has learned the organizational document(s) for formation of the District do not conform with the State of Michigan's enabling legislation. Management has written a new agreement, which was approved by the City of Auburn and Williams Charter Township effective January 2006.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal direct investment by local units of government in Michigan.

The District's deposits and investments are in accordance with statutory authority.

Cash and Cash Equivalents, as of December 31, 2005, consist of cash in bank checking, savings, and certificates of deposit accounts totaling \$53,310, which is entirely covered by federal deposit insurance. The book value of these deposits at December 31, 2005 was \$42,521.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the District had \$0 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Auburn Williams Fire Protection District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the District had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The District's current investments have no potential interest rate risk.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4. CAPITAL ASSETS

Capital asset activity of the District for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Buildings	\$ 411,946	\$ -	\$ -	\$ 411,946
Equipment	65,316	-	-	65,316
Vehicles	589,979	326,304	40,000	876,283
Subtotal	<u>1,067,241</u>	<u>326,304</u>	<u>40,000</u>	<u>1,353,545</u>
Less Accumulated Depreciation for				
Buildings	205,973	10,299	-	216,272
Equipment	29,415	8,696	-	38,111
Vehicles	234,041	45,481	23,667	255,855
Subtotal	<u>469,429</u>	<u>64,476</u>	<u>23,667</u>	<u>510,238</u>
Net Capital Assets Being Depreciated	<u>597,812</u>	<u>261,828</u>	<u>16,333</u>	<u>843,307</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 597,812</u>	<u>\$ 261,828</u>	<u>\$ 16,333</u>	<u>\$ 843,307</u>

The District sold a fire truck with a carrying value of \$16,333 for proceeds of \$5,833. This resulted in a net loss on sale of asset of \$10,500.

NOTE 5. ECONOMIC DEPENDENCY

Revenue appropriations from the City of Auburn and Williams Township during the year ended December 31, 2005, represented approximately 95% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Auburn contributing 30% and Williams Township contributing 70% of the appropriated revenue.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 6. LONG-TERM DEBT

A schedule of long-term debt at December 31, 2005, and changes therein , are summarized as follows:

	January 1, 2005	Additions (Reductions)	December 31, 2005
Note payable to Chemical Bank and Trust Co., due in annual installments of \$21,667 plus interest at 4.25% through October 2008, secured by CSI emergency apparatus.	\$ -	\$ 65,000	\$ 65,000

Year Ended December 31,	Amounts
2006	\$ 21,667
2007	21,667
2008	21,666
	<u>\$ 65,000</u>

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	(Over) Under Budget
REVENUES				
Municipal income	\$ 187,150	\$ 187,150	\$ 187,150	\$ -
Interest income	2,000	2,176	2,176	-
Sale of asset	-	5,833	5,833	-
Other	-	2,835	2,835	-
Total revenues	189,150	197,994	197,994	-
EXPENDITURES				
Insurance	18,500	21,579	21,579	-
Bookkeeping	8,400	9,060	9,060	-
Audit	2,500	2,575	2,575	-
Operating supplies	54,750	56,938	56,938	-
Fire/medical training	7,250	4,642	4,642	-
Utilities	15,000	15,171	15,171	-
Truck and engine maintenance	6,500	5,831	5,831	-
Building maintenance	12,000	14,803	14,803	-
Member medical	8,140	3,330	3,330	-
Miscellaneous	2,000	2,793	2,793	-
Capital outlay	-	326,304	326,304	-
Total expenditures	135,040	463,026	463,026	-
Excess of revenues over expenditures	54,110	(265,032)	(265,032)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from debt obligations	-	65,000	65,000	-
Total other financing sources and uses	-	65,000	65,000	-
Net change in fund balances	54,110	(200,032)	(200,032)	\$ -
Fund balance, beginning of year	217,460	217,460	217,460	
Fund balance, end of year	\$ 271,570	\$ 17,428	\$ 17,428	

March 23, 2006

Members of the Administrative Board
Auburn-Williams Fire Protection District
Bay County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Auburn-Williams Fire Protection District (the "District"), for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS

Credit Card Policy (repeat comment)

Management of the District drafted a credit card policy during the year ended December 31, 2005; however, the governing body has not adopted the policy by resolution as prescribed by rules promulgated by the State of Michigan. We recommend the governing body adopt the credit card policy by resolution as soon as possible to comply with mandates of the State of Michigan.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller municipalities like the Auburn-Williams Fire Protection District requires that Board members continue to remain involved in the financial affairs of the District through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of its oversight.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the December 31, 2005 financial statements, and this report does not affect our report on those financial statements dated March 23, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Auburn/Williams Fire Protection District, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Burnside & Lang, P.C.

BURNSIDE & LANG, P.C.